

Message Text

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AID-05 CEA-01 CIAE-00 EA-10 FRB-01 INR-07 IO-10

NEA-10 NSAE-00 OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01

OMB-01 STR-04 FTC-01 JUSE-00 SS-15 NSC-05 NSCE-00

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COM:DARRILL

TREAS:SALTHEIM

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TO USMISSION OECD PARIS IMMEDIATE

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TAGS: EINV, OECD

SUBJECT: INVESTMENT INCENTIVES/DISINCENTIVES

REF: OECD 18751

1. TEXT OF GUIDELINE ON INVESTMENT INCENTIVES/DISINCENTIVES AS PRESENTED BY USDEL AT IME QUOTED BELOW. WE HAVE NO DRAFTING CHANGES TO MAKE IN NATIONAL TREATMENT GUIDELINE BEYOND THOSE DISCUSSED AT TIME. BEGIN TEXT.

OFFICIAL INCENTIVES AND DISINCENTIVES FOR DIRECT INVESTMENT
(OUTLINE OF POSSIBLE NOTIFICATION AND CONSULTATION PRO-
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CEDURES)

1) MEMBER COUNTRIES PREPARING MEASURES TO PROVIDE OFFICIAL INCENTIVES OR DISINCENTIVES FOR DIRECT INVESTMENT, FOREIGN OR OTHERWISE, WILL TAKE INTO ACCOUNT THE INTERNATIONAL EFFECTS OF SUCH MEASURES WITH A VIEW TO AVOIDING HARMFUL EFFECTS ON OTHER MEMBER COUNTRIES' ECONOMIES. IN CHOOSING AMONG THE VARIOUS MEASURES TO INCREASE OR DECREASE DIRECT INVESTMENT, MEMBERS SHOULD CHOOSE THOSE MEASURES WHICH REDUCE THESE HARMFUL EFFECTS TO THE MINIMUM. THEY WILL ALSO REVIEW EXISTING MEASURES IN THIS FIELD WITH THE SAME OBJECTIVE.

2) MEMBER COUNTRIES WILL ENDEAVOUR TO MAKE OFFICIAL INCENTIVES AND DISINCENTIVES FOR DIRECT INVESTMENT, FOREIGN OR OTHERWISE, AS TRANSPARENT AS POSSIBLE SO THAT THEIR IMPORTANCE AND PURPOSE CAN BE EASILY IDENTIFIED. SUCH MEASURES SHOULD, AS FAR AS POSSIBLE, BE CLEARLY IDENTIFIED AND INFORMATION ON THEM SHOULD BE READILY AVAILABLE.

3) MEMBER COUNTRIES WILL NOTIFY THE ORGANIZATION OF EXISTING OFFICIAL INCENTIVES AND DISINCENTIVES FOR DIRECT INVESTMENT, FOREIGN OR OTHERWISE, AND OF ANY FURTHER DECISIONS CONCERNING CHANGES IN EXISTING AND THE SETTING UP OF NEW MEASURES IN THIS FIELD.

4) A CONSULTATION WILL TAKE PLACE IN THE FRAMEWORK OF THE (COMMITTEE) AT THE REQUEST OF A MEMBER COUNTRY WHICH CONSIDERS THAT AN OFFICIAL INCENTIVE OR DISINCENTIVE FOR FOREIGN DIRECT INVESTMENT WHICH IS IN FORCE OR IS INTRODUCED IN ANOTHER MEMBER COUNTRY CAUSES OR MAY CAUSE SUBSTANTIAL DAMAGE TO ITS OWN ECONOMY. THE PURPOSE OF THE CONSULTATION WILL BE TO ENDEAVOUR, WITH DUE REGARD TO THE NATIONAL ECONOMIC OBJECTIVES OF THE MEASURE CONCERNED, TO FIND WAYS OF REDUCING SUCH EFFECTS TO THE MINIMUM.

5) THE NOTIFICATION AND CONSULTATION PROCEDURES APPLY TO ALL OFFICIAL INCENTIVES AND DISINCENTIVES DESIGNED TO ENCOURAGE OR DISCOURAGE FOREIGN DIRECT INVESTMENT.

6) THE TERMS OFFICIAL INCENTIVES AND DISINCENTIVES
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SHALL COVER ALL MEASURES TAKEN BY MEMBER GOVERNMENTS OR IN THEIR BEHALF WHICH ARE AIMED AT ENCOURAGING OR DISCOURAGING INWARD OR OUTWARD-GOING DIRECT INVESTMENT. OFFICIAL INCENTIVES AND DISINCENTIVES FOR FOREIGN DIRECT INVESTMENT WILL INCLUDE INTERALIA: TAX TREATMENT FOR FOREIGN DIRECT INVESTMENT DIFFERING FROM THAT GRANTED OTHER INVESTMENT, (E.G. ACCELERATED DEPRECIATION, EXEMPTED RESERVES FOR INVESTMENT, TAX CREDITS, EXEMPTION FROM

INDIRECT TAXES AND IMPORT DUTIES ON CAPITAL GOODS);
OFFICIAL CREDIT FACILITIES (E.G. DIRECT LOANS ON FAVORABLE
TERMS, INTEREST SUBSIDIES) AND FINANCIAL BENEFITS GRANTED
OR DENIED TO FOREIGN DIRECT INVESTMENTS IN CONTRAST TO
THE TREATMENT OF OTHER DIRECT INVESTMENT.

7) MEMBER COUNTRIES WILL MAKE THEIR BEST ENDEAVOURS IN
ORDER THAT THE NOTIFICATION AND CONSULTATION PROCE-
DURES APPLY ALSO TO MEASURES TAKEN BY TERRITORIAL SUB-
DIVISIONS BY VIRTUE OF THEIR OWN POWERS IN THIS FIELD.

8) AS APPROPRIATE, THE (COMMITTEE) SHALL ORGANIZE
GENERAL CONSULTATIONS TO APPRAISE THE APPLICATION OF
THE GUIDELINE. IT SHALL MAKE PROPOSALS AS AND WHEN
NECESSARY IN THIS CONNECTION.

9) THE NOTIFICATION AND CONSULTATION PROCEDURES WILL
BE REVIEWED AFTER A PERIOD OF (THREE) YEARS. END TEXT. KISSINGER

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